

DEPARTMENT OF MENTAL HEALTH
MAJOR BUDGET ADJUSTMENTS
AS INCLUDED IN THE 2006-07 GOVERNOR'S BUDGET

The proposed Fiscal Year (FY) 2006-07 budget for the Department of Mental Health (DMH), as included in the FY 2006-07 Governor's Budget is \$3,443,951,000, which includes \$655,500,000 in local assistance funding from the Mental Health Services Fund which is continuously appropriated to DMH and excludes Capital Outlay. This reflects a decrease of 4.8 percent in total expenditures over the revised mid-year budget for FY 2005-06. The proposed General Fund budget for FY 2006-07, excluding Capital Outlay, is \$1,602,359,000, which represents a 24.6 percent increase over the revised mid-year General Fund budget for FY 2005-06.

The overall increase (24.6 percent) in the Department's General Fund budget primarily reflects:

- \$37,792,000 in General Fund resources to comply with the United States Department of Justice (USDOJ) requirements under the Civil Rights for Institutionalized Persons Act (CRIPA) by implementing a new recovery treatment model in the state hospitals;
- a permanent transfer of \$333,460,000 General Fund for the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program from the Department of Health Services (DHS) budget to DMH and a corresponding reduction in reimbursements from DHS;
- removal of \$120,000,000 in one-time funding from the DMH budget for reimbursement to counties for costs of implementing the AB 3632 state mandate in FY 2004-05 and FY 2005-06. A categorical program that will be developed with stakeholder participation for the children served will replace this local mandate and may be proposed in the May Revision. \$50 million has been set aside in the budget year to fund this program; and
- removal of \$139,357,000 one-time funding provided in FY 2005-06 for settlement of FY 2002-03 county claims for the EPSDT program.

In November 2004, the voters of California approved Proposition 63, the Mental Health Services Act, which provides a dedicated funding source for public mental health services from the personal income tax revenues of individuals whose adjusted gross income exceeds \$1,000,000 annually. For FY 2005-06 the projected revenue to be deposited into the Mental Health Services Account is \$683,000,000. In FY 2006-07, projected revenue is \$690,000,000. Upon release of the Governor's Budget, DMH will issue the Mental Health Services Act Projected Expenditure Report which reflects past and proposed expenditures through June 2007.

Major budget adjustments in the FY 2006-07 Governor's Budget include the following:

DEPARTMENTAL SUPPORT

HEADQUARTERS:

- An increase of \$180,000 and two positions to implement changes in the state hospitals to comply with requirements mandated by the United States Department of Justice (USDOJ) pursuant to the Civil Rights of Institutionalized Persons Act (CRIPA) (see more in the LONG TERM CARE SERVICES section).
- An increase of \$420,000 (\$349,000 General Fund, and \$71,000 reimbursements) and five positions to absorb the increased workload associated with facility licensing, program certification, program monitoring and oversight and investigations of complaints and incidents at licensed facilities. Additionally, a decrease of \$401,000 in General Fund with a

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corresponding increase in the newly established Licensing and Certification Fund, Mental Health, to reflect revenues from the fees which will be collected in FY 2006-07.

- A General Fund increase of \$906,000 to reflect an increase in the cost of sexually violent predator (SVP) evaluations and associated costs for court testimony and travel. The most significant adjustment is an increase of \$869,000 for the cost of evaluations, court testimony, and updates for recommitments.
- A net decrease of \$8,234,000 from the Mental Health Services Fund, compared to the 2005-06 Budget Act. This decrease is primarily due to a reduction of one-time only contracts of \$6,167,000, and \$3,150,000 in the Governor's Initiative to End Chronic Homelessness. Increases include \$533,000 full-year funding of audit positions received in FY 2005-06; and \$434,000 for two positions to support the California Mental Health Planning Council, Information Technology activities, and consultant and operating costs for the Mental Health Services Oversight and Accountability Commission. Other adjustments include a net increase of \$116,000 for statewide costs, retirement and price changes. Contract funding needs for FY 2006-07 will be addressed in the May Revision.
- A General Fund decrease of \$7,465,000 to eliminate the one-time funding provided in FY 2005-06 to comply with federal regulations related to providing informing materials to all Medi-Cal beneficiaries and informing materials and provider listings to all current Mental Health Plan clients. This also results in a decrease in reimbursements from DHS to reflect the corresponding adjustments to Federal Financial Participation.

CONDITIONAL RELEASE PROGRAM:

- A net General Fund increase of \$11,000 to reflect an increase in the number of sexually violent predators that will be released to the Conditional Release Program during FY 2006-07.

LONG TERM CARE SERVICES:

- An increase of \$43,478,000 (\$37,612,000 General Fund and \$5,686,000 in realignment reimbursement for the State Hospitals and \$180,000 General Fund Support) to implement significant changes in the state hospitals to comply with requirements mandated by the USDOJ pursuant to CRIPA. These changes are necessary to shift the state hospital treatment philosophy to focus on hopes for patient recovery and on the functional skills necessary for patients to live successfully after discharge from the hospital. The increase includes 454.7 positions to be located at the state hospitals and headquarters as follows: Atascadero 130.7; Coalinga 20.9; Metropolitan 85.0; Napa 78.4; Patton 137.7; and Headquarters 2.0. Additionally, DMH is working on documenting the business requirements and business rules for a Wellness and Recovery Model Support System, an electronic system for collecting and reporting patient treatment information throughout state hospitals. A proposal for meeting these information system needs will be addressed in the spring budget process.
- A net General Fund increase of \$8,367,000 for base rental, trustee and other fees (\$8,237,000) and insurance costs (\$130,000) associated with the funding of major capital outlay projects through the sale of bonds.
- A General Fund increase of \$7,018,000 to support the expansion of the Intermediate Treatment Program for Level IV patients within the Salinas Valley Psychiatric Program. The expansion will increase the number of Level IV beds by 36 to a total of 100, consistent with

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the plan submitted by the California Department of Corrections and Rehabilitation (CDCR) to the Coleman Federal Court. The \$7,018,000 includes the following:

- \$6,347,000 to support 61.2 positions (58.14 PYs), effective July 1, 2006.
 - \$469,000 to support eight non level-of-care positions (7.6 PYs), effective July 1, 2006.
 - \$202,000 to support operating expense costs; which are all one-time.
- An increase in the DMH state hospital budget of \$3,589,000 General Fund with a corresponding reduction in reimbursements. This reflects a permanent transfer from the General Fund budget of CDCR to the state hospital appropriation for DMH for the costs associated with the care and treatment of Division of Juvenile Justice wards in the 20-bed program administered by Metropolitan State Hospital.
 - A net decrease of \$5,757,000 (A General Fund decrease of \$3,292,000 and a decrease of \$2,465,000 from realignment reimbursements) for population changes in the state hospitals. Net adjustments are estimated to be an increase of 239 in the patient population and a net decrease of 96.4 staff positions. The individual adjustments include:
 - A net reduction of \$16,692,000 (a decrease of \$19,902,000 General Fund and an increase of \$3,210,000 realignment reimbursements) which includes a decrease of 214.2 staff positions.
 - A net increase of \$12,730,000 (\$14,660,000 General Fund increase and a decrease of \$1,930,000 realignment reimbursements) which reflects half-year funding for an increase in 274 JC/PC patients and 159.0 staff positions.
 - A net reduction of \$3,035,000 (an increase of \$710,000 General Fund and a decrease of \$3,745,000 realignment reimbursements) due to a decrease in 35 LPS patients and 41.2 staff positions.
 - An increase of \$1,240,000 General Fund for patient driven operating expenses which include food, chemicals, drugs and laboratory supplies and outside medical costs.
 - A reduction of \$1,060,000 in funding from the California State Lottery Fund to reflect a decrease in average daily attendance of patients at the hospital education program at DMH hospitals.

LOCAL ASSISTANCE

EARLY AND PERIODIC SCREENING, DIAGNOSIS AND TREATMENT (EPSDT):

- A General Fund increase of \$333,460,000 and corresponding decrease in reimbursements from the DHS for the EPSDT Program to reflect the permanent transfer of funding for the program to DMH.
- An additional increase of \$38,774,000 for increased caseload (\$18,865,000 General Fund and \$19,909,000 federal funds).
- A reduction of \$139,357,000 in one-time reimbursement from DHS (\$67,672,000 General Fund and \$71,685,000 federal funds) to eliminate the funding provided in FY 2005-06 for payment to counties of the final cost settlement amount for FY 2002-03.

MANAGED CARE PROGRAM:

- A net General Fund increase of \$4,318,000 for the Managed Care Program for both inpatient and specialty mental health services to reflect the following adjustments: (1) an increase to reflect changes in the number of Medi-Cal beneficiaries (\$4,420,000); (2) a reduction in growth for managed care inpatient services (\$39,000); (3) an increase in the number of eligibles in the Breast and Cervical Cancer Treatment Program (\$4,000); and

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(4) a decrease to eliminate the one-time funding provided in FY 2005-06 for changes in the appeals and state fair hearing processes (\$67,000). The General Fund changes result in an increase of \$4,318,000 in reimbursements from DHS.

SAN MATEO PHARMACY AND LABORATORY SERVICES:

- A General Fund transfer of \$6,482,000 to DMH and a corresponding reduction in reimbursements from DHS to reflect the permanent transfer of funding for the San Mateo pharmacy and laboratory services program to DMH. An additional adjustment to the funding level for this program includes an increase of \$633,000 (\$348,000 General Fund and \$285,000 reimbursements) reflecting an adjustment for the full-year impact of Medicare Part D.

HEALTHY FAMILIES PROGRAM:

- An increase in reimbursements of \$1,733,000 for the Healthy Families Program to reflect (1) a caseload increase (\$1,575,000) and (2) a corresponding increase for county administrative costs (\$158,000).

MENTAL HEALTH SERVICES ACT:

- Includes \$655,500,000 from the Mental Health Services Fund which is continuously appropriated to DMH for county implementation of the MHSA.

TRAUMATIC BRAIN INJURY PROGRAM:

- An increase in the Traumatic Brain Injury Fund to restore initial program reductions required in FY 2005-06 (\$158,000 contracts and \$38,000 statewide administration).

DISASTER ASSISTANCE:

- A reduction of \$965,000 for one-time disaster assistance grant funds received in FY 2005-06 for Hurricane Katrina.

REALIGNMENT

For FY 2006-07 it is estimated that a total of \$1,221,671,000 will be available for mental health services. This is an increase of \$23,649,000 (2.0 percent) from the amount anticipated for FY 2005-06.

STATE MANDATED LOCAL PROGRAMS

- \$12,509,000 for payments to local agencies through the State Mandates Program was included in the FY 2005-06 Governor's Budget and subsequently deleted before the Budget was enacted. This is no longer in DMH's budget.
- A decrease of \$120,000,000 for payments to the counties for mental health services provided to seriously emotionally disturbed pupils pursuant to AB 3632 for services provided in DMH's budget in FY 2005-06. A categorical program that will be developed with stakeholder participation for the children served will replace this local mandate and may be proposed in the May Revision. \$50 million has been set aside in the budget year to fund this program.

CAPITAL OUTLAY

- The 2006-07 Governor's Budget reflects additional Capital Outlay expenditures of \$41,682,000 from the Public Building Construction Fund and \$947,000 from the General Fund. These funds have been reappropriated from prior Budget Acts and will support previously approved major capital outlay projects at Napa and Patton State Hospitals.

SIGNIFICANT CURRENT YEAR ADJUSTMENTS

The following significant current year adjustments are reflected in the 2006-07 Governor's Budget.

- \$648,850,000 is available for local assistance from the continuously appropriated Mental Health Services Fund for county expenditures.
- An increase of \$22,942,000 in reimbursements from DHS for the EPSDT Program to reflect increased caseload. (This results in General Fund costs of \$11,496,000 and an increase of \$11,446,000 in FFP in the DHS budget.)
- A General Fund increase of \$4,447,000 to support the expansion of the Intermediate Treatment Program for Level IV patients within the Salinas Valley Psychiatric Program. This requires 69.2 additional positions in FY 2005-06 with a phase-in of staffing which began in November 2005. (For budget year increases, see section on LONG TERM CARE SERVICES.)
- An increase of \$371,000 in reimbursements for the Healthy Families Program which includes \$338,000 for caseload adjustments and \$33,000 for county administrative costs.
- An increase of \$574,000 to reflect a shortfall in funding available for the completion of the Sexually Violent Predator evaluations during FY 2005-06. A deficiency augmentation was requested.
- An increase of \$185,000 from the Mental Health Services Fund to support expansion of the interdepartmental California Mental Health Disease Management (CALMEND) Program to fulfill requirements of the MHSA. These funds will be paid to DHS through an interagency agreement. In future years, these funds will be directly budgeted in DHS's budget.
- \$158,000 increase to local assistance was made available for the Traumatic Brain Injury program.
- A net reduction of \$8,345,000 (a General Fund decrease of \$9,951,000 and \$1,606,000 increase from realignment reimbursements) as a result of decreases in the JC/PC population in the state hospitals. The 186 patient population decrease results in a 107.1 half-year (214.2 full-year) decrease in staff positions.
- \$1,500,000 General Fund reduction for lower costs of providing informing materials and provider directories to current Mental Health Plan clients. A corresponding federal fund reduction is also included.

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DEPARTMENT OF MENTAL HEALTH SUMMARY OF APPROPRIATION TOTALS FOR FISCAL YEAR 2006-2007 AS REFLECTED IN THE 2006-2007 GOVERNOR'S BUDGET BY PROGRAM AND FUNDING SOURCE (Dollars in Thousands)

TOTAL	\$3,486,580
TOTAL Non-Capital Outlay Expenditures	\$3,443,951
Total General Fund	\$1,602,359
<i>General Fund (Others)</i>	<i>1,550,271</i>
<i>General Fund (Prop 98)</i>	<i>13,400</i>
<i>General Fund (Lease Revenue Payments)</i>	<i>38,688</i>
General Fund (Capital Outlay)	947
Public Building Construction Fund	41,682
Lottery Education Fund	96
Traumatic Brain Injury Fund	1,207
Federal Trust Fund	63,199
Mental Health Services Fund	663,913
Licensing and Certification Fund, Mental Health	401
Reimbursements	1,040,424
Reimbursements (realignment/patient generated)	72,352
DEPARTMENTAL SUPPORT <u>1/</u>	\$65,697
General Fund	31,587
Traumatic Brain Injury Fund	119
Federal Trust Fund	3,742
Mental Health Services Fund	8,413
Licensing and Certification Fund, Mental Health	401
Reimbursements	21,435
STATE HOSPITALS	\$958,420
General Fund	834,356
General Fund (Prop 98)	3,400
General Fund (Lease Revenue Payments)	38,688
Lottery Education Fund	96
Reimbursements	9,528
Reimbursements (realignment/patient generated)	72,352
CONDITIONAL RELEASE PROGRAM	\$22,223
General Fund	22,223
LOCAL ASSISTANCE <u>2/</u>	\$2,397,611
General Fund	662,105
General Fund (Prop 98)	10,000
Traumatic Brain Injury Fund	1,088
Federal Trust Fund	59,457
Reimbursements	1,009,461
Mental Health Services Fund	655,500
CAPITAL OUTLAY	\$42,629
General Fund (Capital Outlay)	947
Public Building Construction Fund	41,682

1/ Includes Funding for Health Insurance Portability Accountability Act.

2/ Includes the Traumatic Brain Injury Program, Brain Damaged Adults Program, Early Mental Health Initiative Program and funding for mental health managed care.

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DEPARTMENT OF MENTAL HEALTH LOCAL ASSISTANCE FUNDING DETAIL FOR FISCAL YEAR 2006-07 AS REFLECTED IN THE 2006-07 GOVERNOR'S BUDGET (Dollars in Thousands)

<u>Local Assistance Funding</u>	\$2,397,611
General Fund	\$662,105
General Fund (Prop 98)	10,000
Traumatic Brain Injury Fund	1,088
Federal Trust Fund	59,457
Reimbursements	1,009,461
Mental Health Services Fund	655,500
<u>General Fund</u>	\$662,105
• Mental Health Managed Care	\$231,485
• Integrated Services for the Homeless	61,680
• Early and Periodic Screening Diagnosis and Treatment (EPSDT) Program	352,325
• Children's System of Care	350
• Brain Damaged Adults Program	11,747
• AIDS	1,500
• Community Services – Other Treatment	1,720
• Community Treatment Facilities	1,200
• Healthy Families	98
<u>General Fund (Prop 98)</u>	\$10,000
• Early Mental Health Initiative	\$10,000
<u>Traumatic Brain Injury Project</u>	\$1,088
• Traumatic Brain Injury Project	\$1,088
<u>Federal Trust Fund</u>	\$59,457
• Community Services – Other Treatment (SAMHSA)	\$51,750
• Homeless Mentally Disabled (PATH)	7,382
• Dual Diagnosis Tool-Kit Grant	325
<u>Mental Health Services Fund</u>	\$655,500
• Mental Health Services Fund	\$655,500
<u>Reimbursements</u>	\$1,009,461
• Early and Periodic Screening Diagnosis and Treatment (EPSDT) Program	\$362,097
• Short-Doyle/Medi-Cal/Mental Health Managed Care	630,368
• Healthy Families	16,601
• Traumatic Brain Injury Cooperative Program	149
• Title IV-E Training	226
• Olmstead Planning Grant	20